

Funding

The South Carolina Drycleaning Restoration Trust Fund was created by a legislative act in 1995. The SCDHEC is responsible for administering the Fund, while the SC Department of Revenue (DOR) is responsible for drycleaner registration and collection of money into the Fund.

Revenue for the Fund has historically been derived from two sources: The registered facilities pay yearly fees into the Fund based on their number of employees; and a surcharge is assessed on every gallon of drycleaning solvent purchased for use in the state. Surcharges are not collected from drycleaners that registered with DOR as opting out of the Fund (allowed only for drycleaners that used petroleum-based solvents at the start-up of the Fund in 1995).

As the result of declining revenues to the Fund as discussed below, a legislative change enacted in May 2004 added a 1% sales tax on drycleaning as a third source of revenue. The 1% sales tax is only charged to drycleaners participating in the Fund. Imposition of the 1% sales tax began on July 1, 2004 (i.e., FY 04-05).

DOR began collecting money for the Fund in October 1995 (i.e. Fiscal Year 95-96). Annual revenues peaked in FY96-97 at just over one million dollars (\$1,005,000) and have declined every year since. Only \$613,000 was collected in FY02-03, before rebounding slightly in FY03-04 to \$655,000. Yearly income over the past three years may have somewhat stabilized at a yearly average of approximately \$640,000.

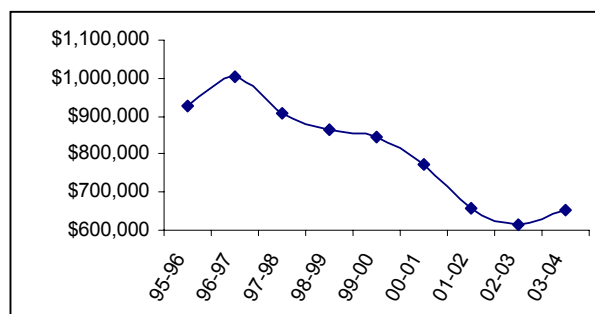


Figure 1: Yearly Income to Fund by Fiscal Year

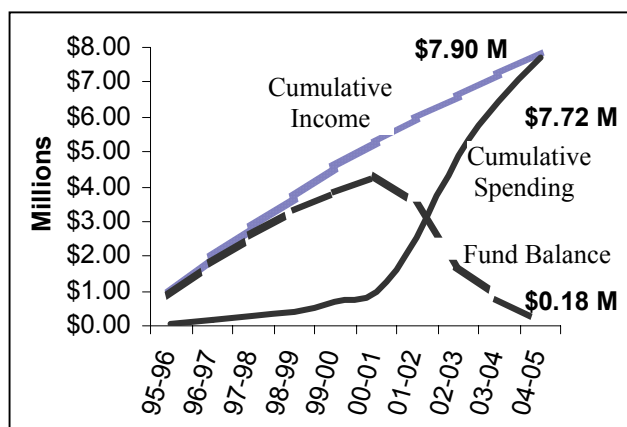


Figure 2: Fund Income to date, Spending and Balance by Fiscal Year

For the first three years, the only expenses to the Fund were minor amounts necessary to pay salaries and Departmental expenses while regulations and procedures were developed. Expenses increased slightly over the next two years as a limited amount of fieldwork was conducted to obtain information necessary to prioritize the large number of sites that had applied to become eligible for the Fund. In FY01-02 and FY02-03, expenses mounted in earnest as assessment activities began on several sites and remediation systems were implemented. By early FY03-04, the Fund balance had

dropped so low that work had to be suspended on most sites. Since some sites have remediation systems in place, there are on-going budget obligations for operation and maintenance beyond the current Fiscal Year.

Funding needs

DOR has registered 292 operating drycleaning plants into the Fund since 1995. Because of the May 2004 legislation change, additional drycleaning plants have until July 1, 2005 to register. Each registered plant could potentially end up drawing money from the Fund. In addition, there are 74 drycleaning plants that stopped operating before 1995 and one site operated by a solvent supplier that are currently eligible for the Fund. Altogether, there are 379 known drycleaning sites that may use Fund monies plus an unknown number of sites that can still register and become eligible for assessment and remediation funding.

It is estimated that \$147 million will be required over the lifetime of the Fund for just the known sites. This amount may be considerably under-estimated because it is based on assumptions that future sites will not require the level of funding expended thus far and has not been adjusted for inflation. The actual amount may be considerably higher by the time all drycleaning sites are cleaned up to the levels required by state law. This figure includes estimates of \$59 million for assessment costs, \$88 million for remediation costs including the money needed for long-term Operations and Maintenance of remedies installed at drycleaning plants. The underlying assumptions for each of these estimates are detailed below:

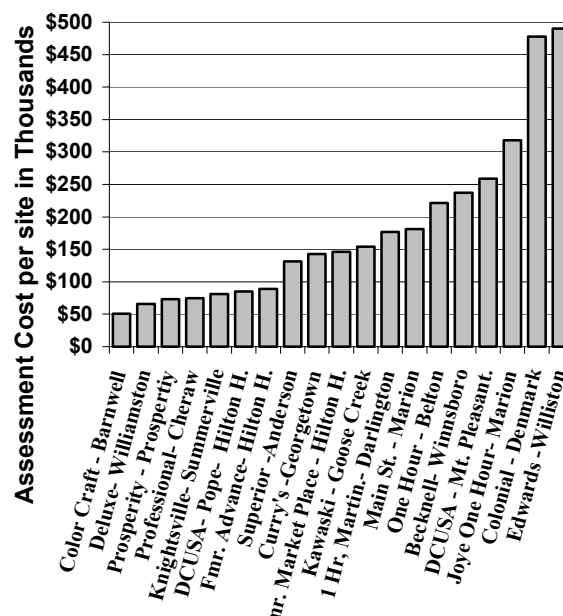
Assessment Costs

Assessment costs are incurred during activities to delineate the extent of the contamination. A large portion of the assessment costs at drycleaning plants comes about because of the expense of investigating groundwater contamination.

The DCRTF has completed assessment at eighteen drycleaning sites with per-site costs ranging between \$51,000 and \$477,000. Since these sites have been in the different geologic regions across the state, the average cost of assessing each site (\$182,000) may reasonably be expected at each of the remaining sites.

For cost estimating purposes, it is assumed that the average costs will drop at least 10% due to increased efficiencies of the program as experience is gained with more sites. It is also assumed that some lower priority sites will be less expensive to evaluate because it is probable that the contamination will be less extensive than has been found at the higher priority sites.

Because there are few constraints to becoming eligible for the Fund, it is assumed that 95% of the 379 known drycleaning sites will meet all requirements (i.e. 360 will be Fund

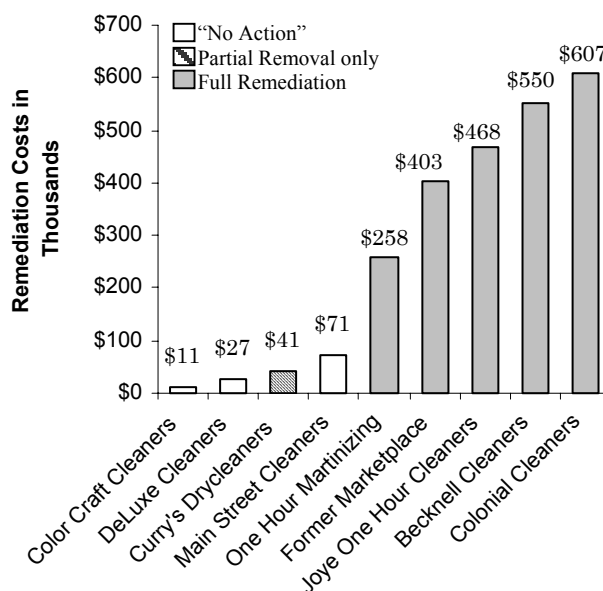


eligible). Assuming the average assessment cost can be decreased to \$161,000, it will require at least \$59 million for assessment costs to investigate the sites.

Remediation Costs

Once the sites are investigated, they usually require some type of remedy in order to meet the applicable standards. Of the sites investigated to date, 23 out of 26 will require a full remediation system funded by the DCRTF. Even if a full remedial system is not needed because the levels of contamination are low, sites will usually require a few years of monitoring to verify that the contamination does not worsen. It is likely that less than 5% of all sites investigated will not need any follow-up expenditure for either remediation or long-term monitoring.

The DCRTF has installed remedial systems at four sites and has plans for another when money becomes available. These systems have averaged \$457,000 per site, including all costs of installation and the projected costs of operation and maintenance (O&M) for the number of years that will be required until the clean-up goals are met. It has been determined that three sites do not need a remedial action other than long-term monitoring. The average cost of this monitoring has been \$36,000 per site. Remedial expenses have been incurred at one other site for a partial remedy. The costs of this action have not been included in these estimates since the site will eventually require a full remediation.



Current trends suggest that 90% of all drycleaning sites may have levels of drycleaning contamination that will require corrective action. However, for cost estimating purposes it is assumed that only 75% of the sites will need a full remedy, as it is likely that lower priority sites will be less contaminated than has been found with the sites investigated thus far. It is also assumed that the average cost of remediation can be reduced 30% (to \$320,000) because lower priority sites should not have the same extent of contamination. Most of the remaining sites will require monitoring for 2-3 years to ensure the contamination is adequately accounted for. Based on these assumptions, \$86 million will be needed for full remediation systems at 270 sites (75% of 360) and additional \$2 million for "No Action" monitoring at approximately 72 sites.

Five Year Funding Projection

Under the provisions of the SC Drycleaning Restoration Trust Fund Act, the Department may fund up to four positions for administration and implementation of the Fund. The Department's DCRTF staff consists of a mixture of engineers, environmental scientists, and hydro-geologists with nationally recognized expertise in assessment and remediation of drycleaning contamination problems. Given an adequate source of funding, this staff

has the capacity to implement fifteen drycleaning site assessments and twelve remedial designs/installations per year, in addition to overseeing O&M and long-term monitoring at sites already underway. To maintain this level of effort, the Fund would have to generate at least \$6 million per year based on the cost figures estimated above. Even at this ambitious pace, the Fund would require nearly twenty-five years to evaluate all of the known drycleaning sites, plus an additional five to ten years to complete remediation.

The recently imposed 1% sales tax generated approximately \$115,000 during the first quarter of FY 04-05. Drycleaning earnings fluctuate with the seasons; earnings generally peak during late winter through early spring and trail off during the warmer months. Because the 1% sales tax has only been collected during the warmest three-month period of the year, it is uncertain whether the \$115,000 actually represents one-quarter of the annual revenue the tax will generate. Based on conversations with drycleaners in the state, less than 20% (i.e., one-fifth) of their yearly business is done in the three-month period. If so, then the 1% sales tax should generate at least \$570,000 annually (i.e., 5 X \$115,000). If the income from the solvent fees and annual fees have stabilized at \$640,000 as assumed above, then the Fund is expected to generate approximately \$1.2 million annually.

Because of funding shortfalls, the Department stopped work on most drycleaning sites in FY03-04. On many sites, the investigations were taken to a natural stopping point, while seven were suspended without determining the full extent of the contamination. It is estimated that another \$800,000 will be required to complete these investigations and at least six of them will require full remediation systems. There is also a backlog of ten sites that have been assessed but are waiting on funds before remediation systems can be installed. Assuming the average costs of remediation as above, it will require at least \$5.4 million just in new remediation costs for the sites on which the Department has already begun work. In addition, there are current budget obligations of \$530,000 for remedial systems already in place and ongoing Department operating expenses averaging \$240,000 per year.

Current income projections show the Fund will generate no more than \$6.8 million over the next five years (including the current balance), while nearly \$8 million will be needed simply to finish the ongoing work. Because the Fund may not operate at a deficit, it is projected that some of the current sites will have to be delayed even further beyond this time frame. This delay will cause extra costs, as it will be necessary to recollect data on some of the sites; however, this has not been factored into these cost estimates.

In all probability, it will be at least six years before the Fund recovers sufficiently to allow investigation or remediation of any of the other sites on the priority list. With only \$1.2 million coming into the Fund annually, it will take more than 150 years to complete assessment of the known drycleaning sites.

South Carolina Drycleaning Trust Fund
5-yr Funding Requirement Projection

Year	DHEC Operating Expenses	Outstanding Site Assessments	Remaining Budget Obligations	Outstanding Site Remediation	Projected Fund Income	Fund Balance
Carry over from FY04/05					\$824,000	\$824,000
FY05/06	(\$230,000)	(\$800,000)	(\$529,105)	(\$2,500,000)	\$1,200,000	(\$2,035,105)
FY06/07	(\$234,600)			(\$700,400)	\$1,200,000	(\$1,770,105)
FY07/08	(\$239,292)			(\$1,500,000)	\$1,200,000	(\$2,309,397)
FY08/09	(\$244,078)			(\$740,280)	\$1,200,000	(\$2,093,755)
FY09/10	(\$248,959)				\$1,200,000	(\$1,142,714)
Totals	(\$1,196,929)	(\$800,000)	(\$529,105)	(\$5,440,680)	\$6,824,000	